

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Williams Charter Township	County Bay
Audit Date 12/31/05	Opinion Date 3/9/06	Date Accountant Report Submitted to State: 5/12/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Abraham & Gaffney			
Street Address 3511 Coolidge, Suite 100	City East Lansing	State MI	ZIP 48823
Accountant Signature <i>Abraham & Gaffney, P.C.</i>		Date <i>5/10/06</i>	

**Williams Charter Township
Bay County, Michigan**

FINANCIAL STATEMENTS

December 31, 2005

Williams Charter Township
Bay County, Michigan

December 31, 2005

BOARD OF TRUSTEES

Thomas Paige	Supervisor
Connie Hoverman	Treasurer
Amy Charney	Clerk
Paul Wasek	Trustee
James Plant	Trustee
Tom Putt	Trustee
Jerry Schrott	Trustee

Williams Charter Township

TABLE OF CONTENTS

December 31, 2005

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Net Assets - Fiduciary Funds	12
Notes to Financial Statements	13-24
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	25-27
Garbage Collection Fund	
Budgetary Comparison Schedule	28
OTHER SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues and Expenditures - Construction Code	29
Schedule of Governmental Capital Assets	30-32

Principals

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Michael T. Gaffney, CPA
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ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Williams Charter Township
Auburn, Michigan

We have audited the accompanying financial statements of the governmental activities, each governmental major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Williams Charter Township's business-type activities or proprietary funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for business-type activities and proprietary funds, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Williams Charter Township, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where, applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Williams Charter Township's basic financial statements. The General Fund schedule of revenues and expenditures - construction code and schedule of governmental capital assets listed in the Table of Contents under other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of Williams Charter Township, Michigan. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Financial Reporting

In 2004, Williams Charter Township, Michigan (the "Township") revised and improved its financial reporting document. These changes were a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of those new standards was to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended December 31, 2005:

- State shared revenue, our second largest revenue source in the General Fund, leveled off in 2005 after a number of years of reduction. This major source of revenue continues to be unstable as the State of Michigan deals with changes in revenue collections and the formula used to disburse this money back to the municipalities. The Township is currently receiving \$59,453 less from state shared revenue than was received in 2001.
- As a result of deferring the December 1, 2005 levy, property tax revenues decreased \$12,026 from the prior year. This is a decrease of approximately 2%. Although it is unusual that property taxes decreased, the reason for the decrease is that the December 1, 2004 levy had not been deferred in the prior year's audited financial statements, yet the December 1, 2005 levy was deferred and the winter levy will continue to be deferred in future years.
- The Township continues the practice of appropriating funding from the township's 4.4 mill tax levy toward public safety, local road improvement projects, and waterline extension projects. These appropriations include about \$160,000 to fund local road improvement projects and \$161,000 to fund improving and extending the township's municipal waterline system.
- Total fund balances related to the Township's governmental funds increased by \$177,126 before prior period adjustments. Included in the total increase in governmental fund balance is the increase in General Fund fund balance of \$17,370 before prior period adjustments.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to Williams Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net assets and the statement of activities provide information about the activities of Williams Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Williams Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Williams Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Williams Charter Township maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Garbage Collection Fund, Sewer Connection Fund, and Waterline Construction Fund, which are considered to be major funds. Data for the Building and Site Fund is reported as the nonmajor governmental fund.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Garbage Collection Fund to demonstrate compliance with their budgets.

Proprietary Funds. Williams Charter Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-24 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund and Garbage Collection Fund budgetary comparison schedules.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of December 31, 2004 and December 31, 2005.

	Government Activities		Business-type Activities		Total Government	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Assets						
Current and Other Assets	\$ 2,720,461	\$ 3,035,901	\$ 1,304,005	\$ 1,384,719	\$ 4,024,466	\$ 4,420,620
Capital Assets	<u>1,631,789</u>	<u>1,705,298</u>	<u>5,524,241</u>	<u>5,301,461</u>	<u>7,156,030</u>	<u>6,986,881</u>
Total Assets	4,352,250	4,741,199	6,828,246	6,686,180	11,180,496	11,407,501
Liabilities						
Current Liabilities	441,000	1,409,885	415,131	506,549	856,131	1,916,434
Noncurrent Liabilities	<u>2,009,173</u>	<u>338,709</u>	<u>1,632,127</u>	<u>1,279,609</u>	<u>3,641,300</u>	<u>1,618,318</u>
Total Liabilities	2,450,173	1,748,594	2,047,258	1,786,158	4,497,431	3,534,752
Net Assets						
Invested capital assets, net of related debt	1,631,789	1,298,727	3,567,493	3,680,339	5,199,282	4,979,066
Restricted	-	-	22,000	22,000	22,000	22,000
Unrestricted	<u>270,288</u>	<u>1,693,878</u>	<u>1,191,495</u>	<u>1,197,683</u>	<u>1,461,783</u>	<u>2,891,561</u>
Total Net Assets	<u>\$ 1,902,077</u>	<u>\$ 2,992,605</u>	<u>\$ 4,780,988</u>	<u>\$ 4,900,022</u>	<u>\$ 6,683,065</u>	<u>\$ 7,892,627</u>

Net assets may serve over time as a useful indicator of a government's financial position. Williams Charter Township's assets exceeded liabilities by \$7,892,627 as of December 31, 2005. The most significant portion of the Township's net assets (over 63 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (less than 1 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,891,561 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The Township's net assets increased by \$442,065 during the current year as indicated on the following page.

Williams Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

	Governmental Activities		Business-type Activities		Totals	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenue						
Program Revenue						
Charges for Service	\$ 318,845	\$ 809,209	\$ 869,245	\$ 884,083	\$ 1,188,090	\$ 1,693,292
General Revenue						
Property Taxes	1,023,840	724,173	-	-	1,023,840	724,173
State Shared Revenue	311,615	310,530	-	-	311,615	310,530
Investment Earnings	71,784	55,289	13,620	36,482	85,404	91,771
Miscellaneous	93,691	5,231	-	-	93,691	5,231
Transfers	<u>155,000</u>	<u>(156,392)</u>	<u>182,305</u>	<u>156,392</u>	<u>337,305</u>	<u>-0-</u>
Total Revenue	1,974,775	1,748,040	1,065,170	1,076,957	3,039,945	2,824,997
Program Expenses						
General Government	345,186	604,648	-	-	345,186	604,648
Public Safety	391,819	367,457	-	-	391,819	367,457
Public Works	554,492	316,000	-	-	554,492	316,000
Community & Economic Dev.	-	79,681	-	-	-0-	79,681
Recreation & Culture	27,957	36,927	-	-	27,957	36,927
Sewer System	-	-	323,769	350,887	323,769	350,887
Water System	-	-	598,444	607,036	598,444	607,036
Other	141,167	-	-	-	141,167	-0-
Interest on Long Term Debt	<u>43,738</u>	<u>20,296</u>	<u>-</u>	<u>-</u>	<u>43,738</u>	<u>20,296</u>
Total Program Expenses	<u>1,504,359</u>	<u>1,425,009</u>	<u>922,213</u>	<u>957,923</u>	<u>2,426,572</u>	<u>2,382,932</u>
Change in Net Assets	<u>\$ 470,416</u>	<u>\$ 323,031</u>	<u>\$ 142,957</u>	<u>\$ 119,034</u>	<u>\$ 613,373</u>	<u>\$ 442,065</u>

Governmental Activities

Governmental activities increased the Township's net assets by \$323,031 during fiscal year 2005. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$1,748,040. The Township's total revenue for governmental activities decreased \$226,735. This decrease was primarily related to a reclassification of the property tax collection fees from property tax revenue to charges for service in 2005. Similarly, fees charged to tap into the Township's utilities had been included in property tax revenue in the prior year and have been reclassified as charges for service in 2005.

The Township incurred expenses of \$1,425,009 during 2005, a decrease of approximately 5% from 2004. The majority of these expenses are associated with providing general government services and public safety, which includes fire and police services. The fluctuations between the fiscal years in the general government and public works functions were primarily caused by changes in classifications of certain line items in 2005, rather than a significant increase or decrease in related expenses.

Business-type Activities

Business-type activities increased the Township's net assets by \$119,034 during fiscal year 2005. The majority of the revenue of the business-type activities is generated through user charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 6, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Williams Charter Township as a whole. Williams Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2005 was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$367,457 for the fiscal year. Public Safety services include the Township's share of the Auburn Williams Fire Department and two contracted deputies through the Bay County Sheriff Department that are supported entirely from the General Fund with no additional special millage.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System and the Water System at the end of the year amounted to \$550,978 and \$646,705 respectively. The Township Board continues to improve and expand the Water System as initially set forth for a period of 20 years in 1988. Two years remain under this Water System expansion and improvement program.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$7,006,759 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Williams Charter Township. These assets are not reported in Williams Charter Township's financial statements as capital assets because under Michigan law these roads and drains are the property of the Bay County Road and Drain Commissions, respectively.

Long-term Debt. The Township did not incur any additional long term debt during 2005.

Current Economic Factors

Revenue sharing remains a significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack. Should the statutory component of Revenue Sharing be eliminated through State budget cuts, Williams Charter Township would experience further revenue loss.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk at the Township Hall.

BASIC FINANCIAL STATEMENTS

Williams Charter Township

STATEMENT OF NET ASSETS

December 31, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,072,906	\$ 1,256,048	\$ 3,328,954
Restricted cash	10,226	-	10,226
Receivables, net	837,096	108,195	945,291
Due from other governmental units	104,813	18,882	123,695
Prepays	10,860	1,594	12,454
Total current assets	3,035,901	1,384,719	4,420,620
Noncurrent assets			
Capital assets not being depreciated	120,071	1,232	121,303
Capital assets, net	1,585,227	5,300,229	6,885,456
Total noncurrent assets	1,705,298	5,301,461	7,006,759
TOTAL ASSETS	4,741,199	6,686,180	11,427,379
LIABILITIES			
Current liabilities			
Accounts payable	143,476	140,678	284,154
Accrued liabilities	3,519	263	3,782
Accrued interest payable	14,948	13,350	28,298
Deposits payable	10,226	-	10,226
Deferred revenue	1,169,854	-	1,169,854
Current portion of compensated absences	-	3,614	3,614
Current portion of long-term debt	67,862	348,644	416,506
Total current liabilities	1,409,885	506,549	1,916,434
Noncurrent liabilities			
Compensated absences	-	20,481	20,481
Noncurrent portion of long-term debt	338,709	1,259,128	1,597,837
Total noncurrent liabilities	338,709	1,279,609	1,618,318
TOTAL LIABILITIES	1,748,594	1,786,158	3,534,752
NET ASSETS			
Invested in capital assets, net of related debt	1,298,727	3,680,339	4,979,066
Restricted	-	22,000	22,000
Unrestricted	1,693,878	1,197,683	2,891,561
TOTAL NET ASSETS	\$ 2,992,605	\$ 4,900,022	\$ 7,892,627

See accompanying notes to financial statements.

Williams Charter Township

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets	
			Governmental Activities	Business-type Activities
				Total
Governmental activities:				
General government	\$ 604,648	\$ 119,252	\$ (485,396)	\$ (485,396)
Public safety	367,457	6,577	(360,880)	(360,880)
Public works	316,000	569,272	253,272	253,272
Community and economic development	79,681	112,233	32,552	32,552
Recreation and cultural	36,927	1,875	(35,052)	(35,052)
Interest on long-term debt	20,296	-	(20,296)	(20,296)
Total governmental activities	1,425,009	809,209	(615,800)	(615,800)
Business-type activities:				
Sewer system	350,887	333,066	-	(17,821)
Water system	607,036	551,017	-	(56,019)
Total business-type activities	957,923	884,083	-0-	(73,840)
Total government	\$ 2,382,932	\$ 1,693,292	(615,800)	(689,640)
General revenues:				
Property taxes			724,173	724,173
State shared revenues			310,530	310,530
Investment earnings			55,289	91,771
Miscellaneous			5,231	5,231
Transfers			(156,392)	-0-
Total general revenues and transfers			938,831	1,131,705
Change in net assets			323,031	442,065
Restated net assets, beginning of the year			2,669,574	7,450,562
Net assets, end of the year			\$ 2,992,605	\$ 7,892,627

See accompanying notes to financial statements.

Williams Charter Township

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

		Special Revenue	Debt
	General	Garbage	Sewer Connection
ASSETS			
Cash and cash equivalents	\$ 882,599	\$ 126,959	\$ 540,963
Restricted cash	10,226	-	-
Receivables			
Accounts	9,337	134,583	-
Taxes	599,843	-	-
Special assessments	-	-	51,513
Due from other governmental units	104,787	-	-
Prepays	10,860	-	-
TOTAL ASSETS	<u>\$ 1,617,652</u>	<u>\$ 261,542</u>	<u>\$ 592,476</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 20,140	\$ 17,575	\$ -
Accrued payroll	3,519	-	-
Deposits payable	10,226	-	-
Deferred revenue	812,430	214,700	73,163
TOTAL LIABILITIES	846,315	232,275	73,163
FUND BALANCES			
Undesignated, reported in:			
General fund	771,337	-	-
Special revenue funds	-	29,267	-
Debt service funds	-	-	519,313
TOTAL FUND BALANCES	<u>771,337</u>	<u>29,267</u>	<u>519,313</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,617,652</u>	<u>\$ 261,542</u>	<u>\$ 592,476</u>

See accompanying notes to financial statements.

Service			
Waterline Construction	Nonmajor Governmental Fund	Total Governmental Funds	
\$ 514,595	\$ 7,790	\$ 2,072,906	
-	-	10,226	
-	811	144,731	
41,009	-	640,852	
-	-	51,513	
-	26	104,813	
-	-	10,860	
<u>\$ 555,604</u>	<u>\$ 8,627</u>	<u>\$ 3,035,901</u>	
\$ 104,309	\$ 1,452	\$ 143,476	
-	-	3,519	
-	-	10,226	
69,561	-	1,169,854	
173,870	1,452	1,327,075	
-	-	771,337	
-	7,175	36,442	
381,734	-	901,047	
381,734	7,175	1,708,826	
<u>\$ 555,604</u>	<u>\$ 8,627</u>	<u>\$ 3,035,901</u>	

Williams Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2005

Total fund balance - governmental funds **\$ 1,708,826**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,390,816	
Accumulated depreciation is	<u>(685,518)</u>	
Capital assets, net		1,705,298

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Bonds and loans payable	406,571	
Accrued interest payable	<u>14,948</u>	
		<u>(421,519)</u>

Net assets of governmental activities **\$ 2,992,605**

See accompanying notes to financial statements.

Williams Charter Township

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

		Special Revenue	Debt
	General	Garbage Collection	Sewer Connection
REVENUES			
Taxes	\$ 806,205	\$ -	\$ -
Licenses and permits	149,461	-	-
Intergovernmental	310,530	-	-
Charges for services	21,744	211,536	135,812
Interest and rents	37,746	355	12,486
Other	17,129	164	-
TOTAL REVENUES	1,342,815	212,055	148,298
EXPENDITURES			
Current			
General government	296,967	-	-
Public safety	367,457	-	-
Public works	186,817	209,557	-
Community and economic development	40,777	-	-
Recreation and cultural	30,310	-	-
Other	164,688	-	-
Debt service	46,299	-	-
Capital outlay	31,130	-	-
TOTAL EXPENDITURES	1,164,445	209,557	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	178,370	2,498	148,298
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(161,000)	-	(89,179)
TOTAL OTHER FINANCING SOURCES (USES)	(161,000)	-0-	(89,179)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	17,370	2,498	59,119
Fund balances, beginning of year	1,464,498	238,305	599,819
Prior period adjustments	(710,531)	(211,536)	(139,625)
Fund balances, end of year	\$ 771,337	\$ 29,267	\$ 519,313

See accompanying notes to financial statements.

Service		
Waterline Construction	Nonmajor Governmental Fund	Total Governmental Funds
\$ -	\$ -	\$ 806,205
-	-	149,461
-	-	310,530
165,868	2,500	537,460
11,261	20,798	82,646
-	837	18,130
177,129	24,135	1,904,432
-	28,550	325,517
-	-	367,457
-	-	396,374
-	-	40,777
-	-	30,310
-	-	164,688
47,598	-	93,897
120,764	-	151,894
168,362	28,550	1,570,914
8,767	(4,415)	333,518
161,000	-	161,000
(67,213)	-	(317,392)
93,787	-0-	(156,392)
102,554	(4,415)	177,126
368,714	11,590	2,682,926
(89,534)	-	(1,151,226)
<u>\$ 381,734</u>	<u>\$ 7,175</u>	<u>\$ 1,708,826</u>

Williams Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

Net change in fund balances - total governmental funds **\$ 177,126**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 154,045	
Depreciation	<u>(71,571)</u>	
Excess of capital outlay over depreciation expense		82,474

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Change in Road Commission debt	36,129	
Principal retirement on installment purchase agreement	<u>26,206</u>	
		62,335

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable		<u>1,096</u>
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Change in net assets of governmental activities **\$ 323,031**

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Sewer	Water	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 510,785	\$ 745,263	\$ 1,256,048
Accounts receivable - net of allowance	39,894	61,707	101,601
Interest receivable	2,600	3,994	6,594
Due from other governmental units	-	18,882	18,882
Prepays	431	1,163	1,594
Total current assets	553,710	831,009	1,384,719
Noncurrent assets			
Capital assets not being depreciated	-	1,232	1,232
Capital assets, net of accumulated depreciation	3,010,324	2,289,905	5,300,229
Total noncurrent assets	3,010,324	2,291,137	5,301,461
TOTAL ASSETS	3,564,034	3,122,146	6,686,180
LIABILITIES			
Current liabilities			
Accounts payable	2,662	138,016	140,678
Accrued payroll	70	193	263
Accrued interest payable	6,837	6,513	13,350
Current portion of compensated absences	-	3,614	3,614
Current portion of bonds payable	252,064	96,580	348,644
Total current liabilities	261,633	244,916	506,549
Noncurrent liabilities			
Compensated absences	-	20,481	20,481
Bonds payable	504,128	755,000	1,259,128
Total noncurrent liabilities	504,128	775,481	1,279,609
TOTAL LIABILITIES	765,761	1,020,397	1,786,158
NET ASSETS			
Invested in capital assets, net of related debt	2,247,295	1,433,044	3,680,339
Restricted	-	22,000	22,000
Unrestricted			
Undesignated	550,978	646,705	1,197,683
TOTAL NET ASSETS	\$ 2,798,273	\$ 2,101,749	\$ 4,900,022

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

	Sewer	Water	Total
Gross service charges	\$ 331,766	\$ 502,250	\$ 834,016
Water costs	-	250,122	250,122
GROSS PROFIT	331,766	252,128	583,894
OPERATING REVENUES			
Service connections	-	27,885	27,885
Charges, fees, etc.	1,300	20,882	22,182
TOTAL OPERATING REVENUES	1,300	48,767	50,067
OPERATING EXPENSES			
Personal services	32,804	121,126	153,930
Utilities	2,668	12,519	15,187
Regional charges	134,033	-	134,033
Operations and maintenance	13,956	39,307	53,263
Administration	7,514	16,565	24,079
Fiscal and other charges	949	9,046	9,995
Depreciation	114,479	108,301	222,780
TOTAL OPERATING EXPENSES	306,403	306,864	613,267
OPERATING INCOME (LOSS)	26,663	(5,969)	20,694
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	15,940	20,542	36,482
Interest expense	(44,484)	(50,050)	(94,534)
TOTAL NONOPERATING REVENUES (EXPENSES)	(28,544)	(29,508)	(58,052)
OTHER FINANCING SOURCES			
Transfers in	89,179	67,213	156,392
CHANGE IN NET ASSETS	87,298	31,736	119,034
Net assets, beginning of year	2,710,975	2,070,013	4,780,988
Net assets, end of year	<u>\$ 2,798,273</u>	<u>\$ 2,101,749</u>	<u>\$ 4,900,022</u>

See accompanying notes to financial statements.

Williams Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 348,134	\$ 519,724	\$ 867,858
Cash paid to suppliers	(156,889)	(257,049)	(413,938)
Cash paid to employees for services	(32,734)	(119,821)	(152,555)
Other operating income	1,300	29,885	31,185
NET CASH PROVIDED BY OPERATING ACTIVITIES	159,811	172,739	332,550
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(48,089)	(51,111)	(99,200)
Transfers in	89,179	67,213	156,392
Payments of borrowing	(236,310)	(94,650)	(330,960)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(195,220)	(78,548)	(273,768)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	14,216	17,818	32,034
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	(21,193)	112,009	90,816
Cash and cash equivalents, beginning of year	531,978	633,254	1,165,232
Cash and cash equivalents, end of year	<u>\$ 510,785</u>	<u>\$ 745,263</u>	<u>\$ 1,256,048</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income	\$ 26,663	\$ (5,969)	\$ 20,694
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	114,479	108,301	222,780
(Increase) decrease in receivables	16,368	(1,408)	14,960
(Increase) decrease in prepaids	(431)	21	(410)
Increase in accrued liabilities	2,732	71,794	74,526
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 159,811	\$ 172,739	\$ 332,550

See accompanying notes to financial statements.

Williams Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Current Tax Collections
ASSETS	
Cash and cash equivalents	<u>\$ 10,757</u>
LIABILITIES	
Due to other governmental units	<u>\$ 10,757</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Williams Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township was organized in 1855 and covers an area of approximately 34.5 square miles. The Township operates under an elected Board of Officials (7 members) and provides a variety of services to its approximately 4,500 residents, including law enforcement, community enrichment and development, and human services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Williams Charter Township (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Williams Charter Township contain all the funds controlled by the Township Board.

These statements also include the water and sewer systems managed by the Bay County Department of Water and Sewer on behalf of the Township. GASB Statement No. 34 requires this activity to be reported in the Township's annual financial statements. The Township has sole authority to set rates and is financially responsible for the integrity of the system. The financial statements reflect the financial position and result of the operations for the calendar year 2005.

2. Jointly Governed Organizations

Williams Charter Township and the City of Auburn jointly govern the Auburn-Williams Fire Protection District. The funding formula requires that Williams Township provide 70% and the City of Auburn provide 30% of the operational and building costs. The Auburn-Williams Fire District has title to all property, plant and equipment. All of the financial operations of the Fire Protection District are recorded in the Auburn-Williams Fire Protection District.

The Township's appropriation to the Auburn-Williams Fire Protection District for the year ending December 31, 2005 was \$131,005.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Garbage Collection Fund is a special revenue fund that is used to record the activity of the Township's garbage collection activities.
- c. The Sewer Connection Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the sewer system.
- d. The Waterline Construction Fund is a debt service fund used to account for the accumulated resources for, and the payment of, general long-term principal, interest and related costs for the waterline construction.
- e. The Sewer Fund accounts for the activities of providing sewer services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.
- f. The Water Fund accounts for the activities of providing water services to the public. These activities are managed by the Bay County Department of Water and Sewer on behalf of the Township.

4. Measurement Focus

The government-wide, proprietary, and fiduciary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and deferred revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The General and major Special Revenue Fund budgets shown as required supplementary information was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the Supervisor submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.
- b. Two public hearings are conducted at township board meetings prior to the October 31 budget adoption to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- c. Prior to November 1, the budget is adopted through passage of a Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the statements of revenue, expenditures and changes in fund balances - budget and actual - general and special revenue funds.
- d. The Supervisor is authorized to transfer budgeted amounts between line items within an activity; however, the Township Board must approve any revisions that alter the total expenditures of any activity.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts and certificates of deposit with an original maturity of less than 90 days from the date of purchase. The cash and cash equivalents are recorded at cost, which approximates market value.

8. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessments, and taxes levied that have not been collected.

9. Property Tax

Williams Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1, and a winter tax is levied on December 1. The tax levies are due September 15 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Bay County Treasurer on March 1 of the year following the levy. The Bay County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2005 tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$4.6136 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2005, the Township levied 4.400 mills for general governmental services. The total taxable value for the 2004 levy for the property within the Township was \$161,578,816.

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Capital Assets

Capital assets include land, land improvements, buildings and improvements, furniture and equipment, infrastructure, and water and sewer lines and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and improvements	15 - 40 years
Infrastructure	40 years
Furniture and equipment	5 - 7 years
Water and sewer lines	40 - 50 years

11. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

12. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2005, but which are levied to finance year 2006 operations. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide and proprietary financial statements report deferred revenues that are unavailable to liquidate liabilities at the current period.

13. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

14. Interfund Transactions

During the course of normal operations the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Interfund Transactions - continued

The General Fund records administrative charges to various funds as revenue. All funds record these payments as operating expenditures/expenses.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association or government national mortgage association.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, the carrying amount of the Township's deposit was \$2,093,789 and the bank balance was \$2,524,389.

Williams Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Deposits - continued

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of December 31, 2005, the Township accounts were insured by the FDIC for \$310,234 and the amount of \$2,214,155 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The Township has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The cash caption on the balance sheet includes \$100 in imprest cash and \$1,256,048 in cash that is on deposit with the Bay County Water and Sewer Department. The cash on deposit with the Bay County Water and Sewer Department is part of the Bay County Water and Sewer Department pooled cash and investments. As a result, the insured and uninsured amounts related to the Township cannot be determined.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers.

Transfers to Waterline Construction Fund from:	
General Fund	<u>\$ 161,000</u>
Transfers to Sewer Fund from:	
Sewer Connection Fund	<u>\$ 89,179</u>
Transfer to Water Fund from:	
Waterline Construction Fund	<u>\$ 67,213</u>

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

Governmental activities

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Capital assets not being depreciated				
Land	\$ 120,071	\$ -	\$ -	\$ 120,071
Capital assets being depreciated				
Infrastructure for sewer and waterline	1,152,955	112,882	-	1,265,837
Land improvements	218,646	6,800	-	225,446
Buildings	496,742	-	-	496,742
Building improvements	83,667	6,800	-	90,467
Equipment and furniture	<u>164,690</u>	<u>27,563</u>	<u>-</u>	<u>192,253</u>
Total capital assets being depreciated	2,116,700	154,045	-0-	2,270,745
Less accumulated depreciation for:				
Infrastructure for sewer and waterline	(73,922)	(30,236)	-	(104,158)
Land improvements	(179,019)	(6,232)	-	(185,251)
Buildings	(222,101)	(12,419)	-	(234,520)
Building improvements	(21,457)	(5,695)	-	(27,152)
Equipment and furniture	<u>(117,448)</u>	<u>(16,989)</u>	<u>-</u>	<u>(134,437)</u>
Total accumulated depreciation	<u>(613,947)</u>	<u>(71,571)</u>	<u>-0-</u>	<u>(685,518)</u>
Net capital assets being depreciated	<u>1,502,753</u>	<u>82,474</u>	<u>-0-</u>	<u>1,585,227</u>
Net capital assets - governmental activities	<u>\$ 1,622,824</u>	<u>\$ 82,474</u>	<u>\$ -0-</u>	<u>\$ 1,705,298</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 22,848
Public works	<u>48,723</u>
Total depreciation expense	<u>\$ 71,571</u>

Business-type activities

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Capital assets not being depreciated				
Land	\$ 1,232	\$ -	\$ -	\$ 1,232
Capital assets being depreciated				
Sewer system	5,561,478	-	-	5,561,478
Water system	<u>4,379,901</u>	<u>-</u>	<u>-</u>	<u>4,379,901</u>
Total capital assets being depreciated	9,941,379	-0-	-0-	9,941,379

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE D: CAPITAL ASSETS - CONTINUED

Business-type activities - continued

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Less accumulated depreciation for:				
Sewer system	\$(2,436,675)	\$(114,479)	-	\$(2,551,154)
Water system	(1,981,695)	(108,301)	-	(2,089,996)
Total accumulated depreciation	(4,418,370)	(222,780)	-0-	(4,641,150)
Net capital assets being depreciated	5,523,009	(222,780)	-0-	5,300,229
Net capital assets - business-type activities	<u>\$ 5,524,241</u>	<u>\$(222,780)</u>	<u>\$ -0-</u>	<u>\$ 5,301,461</u>

NOTE E: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2005:

	Restated Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005	Amount Due Within One Year
Governmental activities					
Bay County Road Commission Road improvement projects	\$ 85,294	\$ 10,170	\$ 46,299	\$ 49,165	\$ 40,195
Installment Purchase Agreement - Underground waterline extension	<u>383,612</u>	<u>-</u>	<u>26,206</u>	<u>357,406</u>	<u>27,667</u>
	468,906	10,170	72,505	406,571	67,862
Business-type activities					
Bay County water supply system	490,000	-	30,000	460,000	30,000
Frankenlust-Monitor-Portsmouth- Williams bond	21,230	-	9,650	11,580	11,580
Water supply system extension	185,000	-	5,000	180,000	5,000
Bay County West Side Regional Sewage Disposal System	992,502	-	236,310	756,192	252,064
Williams-Monitor Bond	<u>250,000</u>	<u>-</u>	<u>50,000</u>	<u>200,000</u>	<u>50,000</u>
	<u>1,938,732</u>	<u>-0-</u>	<u>330,960</u>	<u>1,607,772</u>	<u>348,644</u>
	<u>\$ 2,407,638</u>	<u>\$ 10,170</u>	<u>\$ 403,465</u>	<u>\$ 2,014,343</u>	<u>\$ 416,506</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

The Township has entered into a contract with the Bay County Road Commission to provide for the maintenance and improvements to various roads in the Township. Amounts are due through December 2007.

\$ 49,165

\$500,000 Installment Purchase Agreement, due in annual installments of \$47,598 through April 1, 2015, with interest at 5.50%, payable annually, for underground waterline extension.

357,406

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE E: LONG-TERM DEBT - CONTINUED

\$920,000 Bay County Water Supply System Bonds, Series 1978, dated May 1, 1978, due in annual installments ranging from \$30,000 to \$40,000 through May 1, 2017, with interest at 5.0 percent, payable semi-annually.	\$ 460,000
\$1,650,000 Limited Tax General Obligation Bay County Water Supply System Bonds, Series 1987 (Township share \$127,380), dated September 1, 1987, Township share due in an annual installment of \$11,580 on September 1, 2006, with interest of 8.0 percent, payable semi-annually.	11,580
\$305,000 1980 Bay County Water Supply System Revenue Bonds dated January 1, 1982, due in annual installments ranging from \$5,000 to \$20,000 through January 1, 2020, with interest at 5.0 percent, payable semi-annually.	180,000
\$28,000,000 Bay County West Side Regional Sewage Disposal System Bonds (Township share \$4,411,120), dated November 1, 1978, Township share due in annual installments of \$252,064 through May 1, 2008, with interest at 5.50 percent, payable semi-annually.	756,192
\$650,000 Limited Tax General Obligation Bay County Water Supply System Bonds, Series 1990, dated May 1, 1990, due in annual installments of \$50,000 on May 1, 2009, with interest of 7.30 percent, payable semi-annually.	<u>200,000</u>
	<u>\$ 2,014,343</u>

The annual requirements to pay the debt principal and interest outstanding for the bonds, contracts, and installment purchase agreements are as follows:

Year Ending June 30,	Road Commission Contract		Installment Purchase Agreement		Water and Sewer Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 40,195	\$ -	\$ 27,667	\$ 19,930	\$ 348,644	\$ 79,610	\$ 416,506	\$ 99,540
2007	8,970	-	29,210	18,387	347,064	59,295	385,244	77,682
2008	-	-	30,793	16,805	347,064	39,532	377,857	56,337
2009	-	-	32,556	15,041	100,000	26,575	132,556	41,616
2010	-	-	34,372	13,226	50,000	22,250	84,372	35,476
2011-2015	-	-	202,808	35,181	265,000	73,000	467,808	108,181
2016-2020	-	-	-	-	150,000	13,250	150,000	13,250
	<u>\$ 49,165</u>	<u>\$ -0-</u>	<u>\$ 357,406</u>	<u>\$ 118,570</u>	<u>\$ 1,607,772</u>	<u>\$ 313,512</u>	<u>\$ 2,014,343</u>	<u>\$ 432,082</u>

NOTE F: RETIREMENT PLAN

The Township has a single employer defined contribution pension plan administered by John Hancock, covering substantially all full and part-time employees except volunteer firemen and seasonal employees. The Township contributes 100% of the premiums for each participant at a rate of 15% of gross wages. Total payroll for the year ending December 31, 2005 was approximately \$304,022. The Township's policy is to fund pension costs on an annual basis. Employer contributions for the year were approximately \$51,703. Benefits attributable to employer contributions are 100% vested. The pension, as established, does not recognize prior service costs as it is based exclusively on current compensation earned by participants.

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE H: CONTRACT COMMITMENTS

The Township has entered into a contract relating to waterline extensions for Salzburg Road and Hotchkiss Road that will be completed in the Spring of 2006. The total contractual commitments outstanding at December 31, 2005 totaled \$112,882 for which the Township has fund equity to cover these commitments.

NOTE I: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31,		
	<u>2005</u>	<u>2004</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund			
Deferred revenue	\$ -	\$ 766,539	To correct understated
Revenues over (under) expenditures	-	(766,539)	deferred revenue
Fund balance - beginning	(766,539)	-	
Due from other governmental units	-	56,008	To correct understated
Revenues over (under) expenditures	-	56,008	due from other governmental
Fund balance - beginning	56,008	-	units
Garbage Collection Fund			
Deferred revenue	-	211,536	To correct understated
Revenues over (under) expenditures	-	(211,536)	deferred revenue
Fund balance - beginning	(211,536)	-	
Sewer Connection Fund			
Deposit with Bay County	-	(61,883)	To correct overstated
Revenues over (under) expenditures	-	(61,883)	deposit with Bay County
Fund balance - beginning	(61,883)	-	
Deferred revenue	-	77,742	To correct understated
Revenues over (under) expenditures	-	(77,742)	deferred revenue
Fund balance - beginning	(77,742)	-	

Williams Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE I: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	December 31,		
	<u>2005</u>	<u>2004</u>	<u>Description</u>
PRIMARY GOVERNMENT - CONTINUED			
Waterline Construction Fund			
Deposit with Bay County	\$ -	\$(23,292)	To correct overstated
Revenues over (under) expenditures	-	(23,292)	deposit with Bay County
Fund balance - beginning	(23,292)	-	
Deferred revenue	-	66,242	To correct understated
Revenues over (under) expenditures	-	(66,242)	deferred revenue
Fund balance - beginning	(66,242)		

NOTE J: RESTATEMENT OF NET ASSETS

As of and for the year ended December 31, 2005, the Township recognized property tax revenue in accordance with Michigan Committee on Governmental Accounting and Auditing Statement No. 9. As a result, property taxes levied in December are not recognized as revenue until the subsequent year, to finance the budget of the intended period.

Governmental activities net assets as of December 31, 2004	\$ 1,902,077
Add: Deferred revenue	<u>767,497</u>
Restated governmental activities net assets as of December 31, 2004	<u>\$ 2,669,574</u>

As of and for the year ended December 31, 2005, the Township recognized the Water and Sewer activities of the Township. Previously these funds were only reported in the Bay County Department of Water and Sewer annual audit report. The beginning net assets were \$2,070,013 and \$2,710,975, respectively.

NOTE K: ECONOMIC DEPENDENCY

Approximately 35% of the property tax revenue is generated by property taxes levied on a single organization, Dow Corning. Any reductions in this revenue could have a significant impact on the Williams Charter Township's operations.

REQUIRED SUPPLEMENTARY INFORMATION

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 748,000	\$ 724,000	\$ 724,173	\$ 173
Administration charges	75,200	75,200	81,968	6,768
Penalties and interest	100	100	64	(36)
Total taxes	823,300	799,300	806,205	6,905
Licenses and permits				
Building and zoning permits	82,000	82,000	108,408	26,408
Charter cable fees	28,000	28,000	32,060	4,060
State liquor inspection	750	750	909	159
Fire pit permits	100	100	190	90
Right of way fees	7,000	7,000	7,894	894
Total licenses and permits	117,850	117,850	149,461	31,611
Intergovernmental				
State shared revenue	310,000	310,000	310,530	530
Charges for services				
Planning commission	5,000	5,000	3,175	(1,825)
Mobile home fees	1,000	1,000	1,038	38
Fire department custodial fees	2,000	2,000	1,777	(223)
Passport fees	500	500	3,600	3,100
Land division fee	1,500	1,500	650	(850)
Grave opening and lot sales	4,500	4,500	9,140	4,640
Bulk water sales	2,000	2,000	2,105	105
Other	200	200	259	59
Total charges for services	16,700	16,700	21,744	5,044
Interest and rents				
Interest	15,000	15,000	31,071	16,071
Rental fees	6,800	6,800	6,675	(125)
Total interest and rents	21,800	21,800	37,746	15,946

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Other				
Reimbursements	\$ 1,000	\$ 1,000	\$ 4,230	\$ 3,230
Subdivision retention	2,200	2,200	2,884	684
Street lighting assessments	10,000	10,000	10,015	15
Total other	13,200	13,200	17,129	3,929
TOTAL REVENUES	1,302,850	1,278,850	1,342,815	63,965
EXPENDITURES				
General government				
Township board	62,450	62,450	62,150	300
Supervisor	38,100	38,100	37,734	366
Clerk	54,700	54,700	53,660	1,040
Elections	4,200	4,200	2,190	2,010
Assessor	48,400	48,400	46,337	2,063
Treasurer	57,200	57,200	56,927	273
Board of Review	1,350	1,350	831	519
Cemetery	9,350	13,850	12,978	872
Building and grounds	2,700	2,700	2,643	57
Financial and tax administration	9,000	12,500	12,450	50
Other	12,000	12,000	9,067	2,933
Total general government	299,450	307,450	296,967	10,483
Public safety				
Police department	148,000	158,000	151,514	6,486
Fire department	134,200	134,200	132,931	1,269
Inspection department	85,450	89,450	83,012	6,438
Total public safety	367,650	381,650	367,457	14,193
Public works				
Department of public works	234,181	225,181	186,817	38,364
Community and economic development				
Building and zoning	6,300	6,300	3,570	2,730
Planning department	41,800	41,800	33,727	8,073
Other	4,000	4,000	3,480	520
Total community and economic development	52,100	52,100	40,777	11,323
Recreation and cultural				
Parks and recreation	28,500	32,500	30,310	2,190

Williams Charter Township

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONTINUED				
Other				
Insurance and bonds	\$ 39,000	\$ 39,000	\$ 36,668	\$ 2,332
Risk management	1,500	1,500	1,197	303
FICA expense	25,000	25,000	23,258	1,742
Dental insurance	8,500	8,500	7,254	1,246
Medical insurance	46,000	46,000	44,608	1,392
Retirement	45,000	55,000	51,703	3,297
	165,000	175,000	164,688	10,312
Debt service	46,299	46,299	46,299	-0-
Capital outlay	105,000	105,000	31,130	73,870
TOTAL EXPENDITURES	1,298,180	1,325,180	1,164,445	160,735
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,670	(46,330)	178,370	224,700
OTHER FINANCING USES				
Transfers out	(177,000)	(171,000)	(161,000)	10,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(172,330)	(217,330)	17,370	234,700
Fund balance, beginning of year	1,464,498	1,464,498	1,464,498	-0-
Prior period adjustments	-	-	(710,531)	(710,531)
Fund balance, end of year	\$ 1,292,168	\$ 1,247,168	\$ 771,337	\$ (475,831)

Williams Charter Township

Garbage Collection Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Charges for services	\$ 211,000	\$ 211,000	\$ 211,536	\$ 536
Interest and rents	1,200	1,200	355	(845)
Other	100	100	164	64
TOTAL REVENUES	212,300	212,300	212,055	(245)
EXPENDITURES				
Current				
Public works	252,300	252,300	209,557	42,743
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,000)	(40,000)	2,498	42,498
Fund balance, beginning of year	238,305	238,305	238,305	-0-
Prior period adjustments	-	-	(211,536)	(211,536)
Fund balance, end of year	<u>\$ 198,305</u>	<u>\$ 198,305</u>	<u>\$ 29,267</u>	<u>\$ (169,038)</u>

OTHER SUPPLEMENTARY INFORMATION

Williams Charter Township

General Fund

SCHEDULE OF REVENUES AND EXPENDITURES - CONSTRUCTION CODE

Year Ended December 31, 2005

REVENUES

Licenses and permits	
Building and zoning permits	\$ 108,408

EXPENDITURES

Public safety	
Inspection department	83,012
Community and economic development	
Building and zoning	3,570
Planning department	<u>33,727</u>

Total construction code expenditures	<u>120,309</u>
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Excess of revenues (under) expenditures	<u><u>\$ (11,901)</u></u>
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Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS

Year Ended December 31, 2005

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Land						
Township hall land	1968	\$ 43,319		\$ -	-	\$ 43,319
Park land						
Land	1983	35,000		-	-	35,000
Additional purchases (Beane property 1988, 1989, 1990, & 1991)	Various	17,406		-	-	17,406
Additional purchase (Lauer property)	1986	12,596		-	-	12,596
Water tower land	2002	11,750		-	-	11,750
		120,071		-0-	-0-	120,071
Land Improvements						
Front parking lot	2002	30,960	15	2,064	8,256	22,704
Park - land improvements						
Fencing	1987	7,942	15	-	7,942	-0-
Park improvements	1987	110,366	15	-	110,366	-0-
Park improvements	1994	55,723	15	3,715	44,579	11,144
Park improvements	1988	13,655	15	-	13,655	-0-
Rear parking lot drainage improvement	4/15/2005	6,800	15	453	453	6,347
		225,446		6,232	185,251	40,195
Buildings						
Township hall	1968	202,768	40	5,069	187,560	15,208
DPW building	1990	63,862	40	1,597	23,949	39,913
Water tower	2002	230,112	40	5,753	23,011	207,101
		496,742		12,419	234,520	262,222

Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2005

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Building Improvements						
DPW addition	2001	\$ 26,227	15	\$ 1,748	\$ 8,742	\$ 17,485
Zoning office (construction and carpet costs)	2001	6,510	15	434	2,170	4,340
Sign	2001	6,290	15	419	2,096	4,194
Carpet	2002	5,667	15	378	1,511	4,156
Treasurer's office electrical	2002	11,000	15	733	2,933	8,067
Ceiling tile replacement	2002	6,000	15	400	1,600	4,400
Treasurer's office / lobby office construction	11/1/2002	8,278	15	552	1,748	6,530
Cemetery improvements	Various	5,032	15	-	5,032	-0-
Window/door installation	6/29/2004	8,663	15	578	867	7,796
Rear parking lot drainage improvement / catch basin	2005	6,800	15	453	453	6,347
		90,467		5,695	27,152	63,315
Furniture and Equipment						
DPW equipment						
Bandit model 150 chipper	6/9/1999	14,000	7	2,000	13,167	833
Kubota B2910 tractor w/ loader and backhoe	7/11/2000	23,000	7	3,286	18,072	4,928
Kubota F2100E-1 tractor w/ RC-72B front mount mower	9/12/1995	10,995	7	-	10,995	-0-
Kubota F2100E tractor w/ RC72-F20 front mount mower	9/8/1993	9,300	7	-	9,300	-0-
1995 GMC Topkick w/ 14' flatbed and hoist	4/1/2001	16,000	7	2,286	10,857	5,143
Hydralift trailer with brake	2005	4,165	7	595	595	3,570
2006 Ford F250 4X4 w/ bed liner, nerf bars, cab protector, 8' fisher plow and hitch, and tailgate salt spreader	11/1/2005	23,398	5	2,340	2,340	21,058
		100,858		10,507	65,326	35,532

Williams Charter Township

SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS - CONTINUED

Year Ended December 31, 2005

	Date Acquired	Cost	Useful Life	Current Year Depreciation	Accumulated Depreciation	Net Book Value
Furniture and Equipment - continued						
General government furniture and equipment						
Zoning office	2001	6,650	7	950	4,750	1,900
Sharp model AR-350N copier/scanner/fax/network printer	4/1/2003	10,314	7	1,473	4,052	6,262
Treasurer's office	2002	9,984	7	1,426	5,705	4,279
Board room	2002	4,800	7	686	2,744	2,056
Supervisor's office	2003	5,600	7	800	2,400	3,200
Clerk's office	2003	8,027	7	1,147	3,440	4,587
Park equipment						
		45,375		6,482	23,091	22,284
	1995	46,020	7	-	46,020	-0-
Infrastructure						
Waterline project - Townline Road from 8 Mile Road	1/26/2000	\$ 41,190	40	\$ 1,030	\$ 6,179	\$ 35,011
Waterline project - Garfield Road	6/21/2001	533,109	40	13,328	59,975	473,134
Sanitary Sewer - Flajole Road	9/10/2002	168,541	40	4,214	14,046	154,495
Waterline project - Nine Mile	10/25/2002	112,500	40	2,813	8,907	103,593
Waterline project - Garfield Road	3/15/2004	297,615	40	7,440	13,640	283,975
Waterline project - Hotchkiss Road and Salzburg Road	11/18/2005	112,882	40	1,411	1,411	111,471
		1,265,837		30,236	104,158	1,161,679
TOTAL		\$ 2,390,816		\$ 71,571	\$ 685,518	\$ 1,705,298

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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MANAGEMENT LETTER

To the Members of the Township Board
Williams Charter Township
Auburn, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of Williams Charter Township, Michigan for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are the result of our evaluation of the internal control and our discussions with management.

1. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with management, it was noted that the Township has not amended their investment policy to address the reporting requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services programs, or to carry out its fiduciary responsibilities. Effective for the year ended December 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

2. The Township should implement various written procedures and policies.

During discussions with management, we noted that the Township has not formally implemented written procedures and policies for several areas of operation. Specifically, we suggest the Township formally develop and implement written procedures and policies for the following:

- a. Accounting policies - We suggest the Board of Trustees adopt specific accounting policies. Accounting policies should document procedures for purchasing, procurement, accounts payable, billing, and payroll. We also suggest that the accounting policies address a formal process for amending the annual budget.
- b. Personnel policies - We suggest the Township adopt a personnel policy and include a conflict of interest policy either as part of the personnel policies or a separate policy.

- c. Fraud prevention policy - We suggest the Board of Trustees adopt a fraud prevention policy. A fraud prevention policy should address segregation of duties and controls which will aid in the prevention and detection of fraud against Williams Charter Township.

We believe by documenting specific personnel policies, employees of the Township will have a clearer understanding of the Township Board's expectations. We also believe that such documentation will provide greater internal control for certain areas.

- d. Disaster Recovery Plan - We suggest the Board adopt a disaster recovery plan. The plan should identify areas of operation that are critical to the Township and detail how the Township would continue to operate in the absence of those critical areas of operation.

3. The Building and Zoning Department should use pre-numbered receipt books to document funds received.

During our testing of the receipt process, we noted that receipts used by the Building and Zoning Department of the Township are not pre-numbered.

When manual receipts are used, they should be pre-numbered, reflect the name of the Township, and provide at least two copies. In addition, the receipts should be used in numerical sequence, kept in a secure location, and be properly accounted for with the verification of the beginning sequence number to the ending sequence number and balanced to the amounts being deposited.

We suggest the Township utilize pre-numbered manual receipts. The amounts receipted in by the Township on pre-numbered receipts should be compared to amounts being deposited to the bank on a periodic basis. By using pre-numbered receipts and accounting for the deposits of the Township, the internal controls related to the receipting process will be strengthened and improved.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated March 9, 2006.

This report is intended solely for the information of the Township Board of Williams Charter Township, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these conditions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2006